

**City Holds Back on Network Funding  
Provides Duplicate Service**

On Tuesday, September 22, Deputy Commissioner Elmer Beard presented a plan to the CDAC subcommittee on housing calling for a new Office of Neighborhood Technical Assistance (ONTA). The plan would, in effect, eliminate the present technical assistance role performed by CRN as a delegate agency which services neighborhood based housing development organizations.

"The major goal of the Office of Neighborhood Technical Assistance is to provide a central 'one-stop' resource center which provides housing information and technical assistance to individuals and not-for-profit groups interested in developing and monitoring safe, decent and affordable housing in Chicago," stated a narrative overview document presented at the CDAC Housing Committee Meeting.

The plan for ONTA specified the following objectives for CD Year VII:

- promoting existing and new housing programs.
- providing technical information on DOH programs.
- developing techniques for citywide coordination of services offered by ONTA and other public/private housing technical assistance organizations.
- building up the capacity of not-for-profit housing groups to conduct successful housing development and maintenance programs.
- providing specialized support services to selected individuals and not-for-profit groups that conduct housing development and maintenance programs.

**ONTA Activities**

In pursuit of these objectives the ONTA plan outlined five planned areas of activity which include: (a) offering housing information and education programs, (b) specialized rehabilitation assistance, staff training, and legal advice (c) a housing referral, including interagency referral to foster use of DOH programs, (d) establishing and maintaining a lending library (i.e., clearing house), (e) funding and evaluation monitoring function to delegate agencies involved with housing programs which complement ONTA goals.

A curious aspect of the ONTA plan is its striking resemblance to the program activities of an existing area-wide, neighborhood-based housing rehab organization that ONTA is designed to displace—the not-for-profit Chicago Rehab Network. This is true at least in all but one important respect: ONTA will eliminate the strong advocacy role played by the NETWORK's staff on behalf of the 23 member groups that comprise the CRN.



**City Planning Department Commissioner Martin Murphy, a central figure in new comprehensive plan announced by Mayor Jane Byrne this summer.**

**City Duplicates Services**

The City, through the Department of Housing's deputy commissioner, announced its intentions not to recommend new funding for the Chicago Rehab Network and discontinue funding for some of its member groups. Last year the Network received \$207,000 in program and administrative funds to support technical assistance, architectural services, information dissemination, outreach work to facilitate low-income housing development.

The projected ONTA budget will run in excess of \$300,000 to carry out similar activities which have been provided by the NETWORK over the past 5 years. Clearly this is an undesirable *duplication of services* at a time when the City is experiencing a financial crunch . . .

The City's response is that the Network is "duplicating services" provided elsewhere through public funds to NHDOS and not-for-profits. What the City officials have done is to reject the Network funding proposal for CD Year VII and establish its own program. Clearly it will be one that will dutifully serve its political masters at City Hall.

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# Network Appoints New Director

## CRN Appoints New Director

On behalf of the Board of Directors of the Chicago Rehab Network, I am pleased to announce the appointment of Kenneth H. Koroma as our new Executive Director immediately.

Mr. Koroma has previously served as an Associate Director of the Department of Community and Economic Development for the Centers for New Horizons, Inc. on Chicago's southside. Prior to this he acted as a Management Consultant with Chicago's Human Services Department; Policy Analyst with the Governor's Human Services Subcabinet in Springfield; Deputy Director for the Champaign, Ford, Iroquois and Platt Counties Employment and Training Consortium; and Manager of the City of Carbondale unified social services and comprehensive health programs. In addition, Mr. Koroma has taught public administration and government at various colleges and universities.

A Chicago resident for the last four (4) years, Mr. Koroma has an extensive educational experience throughout Western Europe, the Soviet Union, as well as the United States.

He brings to the Network rich experiences in fund-raising, with strong management and administrative skills.

We are excited to have retained such a candidate with Mr. Koroma's skills and abilities to direct the ongoing programs of the Chicago Rehab Network in these trying times. We look forward to continuing our relationship with you through his leadership.

—Mario Lopez  
President CRN

## Thom Clark Resigns Directorship

After five years of formal association with the Chicago Rehab Network, Thom Clark has resigned his post as Executive Director with CRN. Mr. Clark, one of the co-founders of the Network, became Executive Director in the Spring of 1980 after serving as the Network President in its first years.

Clark stated that he had no plans at the time of his resignation (August 31, 1981) but expressed a desire to stay close to the Network and the housing and neighborhood movement in a consultative capacity.



Ken Koroma, new Executive Director of Network brings rich administrative expertise.

Clark noted that his departure was not philosophical, but one in which he felt that the CRN could be best served by someone with the desire and energy essential to fulfill the responsibilities of the full-time Executive Directorship.

Clark played a key role in the selection of the current Executive Director and was enthusiastic over Mr. Koroma's selection. "I feel that Ken can bring to Network the kind of skills and management expertise necessary to keep the CRN sound and dynamic in the coming period," Clark asserted at a reception held in his honor last August. Best wishes, Thom! Welcome aboard, Ken!

The Chicago Rehab Network *Newsletter* is published monthly and is available to individuals and organizations concerned with the continuing supply of decent housing opportunities for low and moderate income residents of Chicago. Suggested annual donation is \$10. Inquiries should be addressed to the **Chicago Rehab Network, 53 West Jackson Blvd., Suite 603, Chicago, Illinois 60604, (312) 663-3936.**

**Network Officers:** Wyman Winston, President; Mario Lopez, Vice President; Patricia Barnes, Secretary; Robert Brehm, Treasurer.

**Network Staff:** Ken Koroma, Executive Director; Elliot Powell, Technical Assistance Manager; William Goldman and Henry Johnson, Construction Specialists; Doug Gills, Publications Manager; Gloria Bolden, Receptionist/Typist; John S. Kantanka, Accountant.

**MEMBERS:** Association for Black Community Development (ABCD, Inc.) • Bethel Housing, Inc. • Bickerdike Redevelopment Corp. • Christian Action Ministry • Coalition for United Community Action — ORTC, Inc. • Community Housing Education Corp. • Community 21 • Covenant Development Corp. • Economic Redevelopment Corp. • Eighteenth Street Development Corp. • Fifth City Citizens Redevelopment Corp. • Heart of Uptown Coalition • Howard Area Community Center • Kenwood Oakland Community Organization • Midwest Community Council • Northwest Austin Council • South Austin Realty Association • Spanish Coalition for Housing • South Shore Housing Center • Voice of the People, Inc.

**ASSOCIATE MEMBERS:** Center for Neighborhood Technology • Jewish Council on Urban Affairs • Metropolitan Housing Development Corp.

# Budget Cuts and Neighborhood Impacts

—Doug Gills

The full and overall effects of the proposed Reagan Administration cuts on the conditions of Chicago's neighborhoods — and the people who live in them — will not be fully known until well after the budget cuts are implemented, October 1.

The purpose of this article is to assess the dimensions of the shift in federal domestic policy for neighborhood development, and some of the implications the radical changes in policies are likely to have on the quality of life of neighborhood residents and the ability of community-based inferences to shape neighborhood affairs.

The budget cuts will have a devastating impact on the current neighborhood development efforts as we have understood them. Significant reductions in public spending will result in new problems and challenges which must be grasped and met if the already deteriorating limitations of our neighborhoods are to be reversed.

The effect the budget cuts will have upon local neighborhood development programs is the most obvious dimension — the proverbial “tip of the iceberg” — that the shifts in federal expenditures will have in Chicago. They will have a more far-reaching effect on residential living conditions than is immediately apparent. These are the so-called “indirect” effects of the budget cuts. They are no less real in their consequences on the lives of many people in Chicago, as Reaganomics is implemented over the next four (4) years.

If the analysis of previous history — along with current indications — remain true to form, these changes are not likely to significantly improve the quality of life and well-being of the most needy and most vulnerable segments among the people in our communities. In fact, they are likely to get much worse.

## Key Assumptions of the Reagan Administration Neighborhood Policy

The principal assumptions of the Administration's policy changes as related to the neighborhoods, are that by reducing federal government responsibility to state and city levels of government, local community interests will have more direct control over policy decisions affecting their neighborhoods. Whether this holds true in Chicago is debatable. Yet, Mr. Reagan has proposed to eliminate neighborhood grants administered by the federal government.

The main form that federal assistance will take over the next several years is that of non-categorical block grants, distributed to the states and administered at that level and/or passed through to the cities?

The Reagan Administration's policy advisors argue that this shift in the locus of decision-making for neighborhood development will ensure greater local control and community level input into how money will be spent. This would translate into a strengthened economic and political capacity of the neighborhoods.

Under the previous political arrangements neighborhood-based interests were disadvantaged relative to the well-known power of large financial and industrial interest. These in-

terests, more often than not, had insufficient resources to commit towards winning any battles (for tax advantages) when pitted against the less well coordinated organizational resources of neighborhood groups. The issue was power!

Under the new situation nothing appears evident that will alter this pattern. Moreover, it would appear that competition at the local level for declining public resources will intensify: between corporate financial interests on one hand and neighborhood-based groups on the other; and between neighborhood based groups and public service sector interests (i.e. hospitals, education, police and fire, etc.). It stands to reason that all interest will be brought more directly into the same areas of spending authority to contest for their share of shrinking public funds. Regardless of how legitimate their clamor about expanded needs, many grassroots interests will be overwhelmed by more powerful corporate interests or ignored due to the electoral politics of Springfield and City Hall.

## What Programs Are Affected?

Recent studies have documented the fact that the budget cut proposals which worked their way through Congress are likely to be just as drastic in their “indirect” effects as in the projected direct expenditure losses to neighborhood development related programs.

Chicago receives between \$465 million and \$500 million in various funds of federal assistance programs. Most analysts contend that Chicago stands to lose some \$97-100 million due to cuts in public expenditures, jobs, income and public and social services benefits. This figure is even higher when the consequences of state level reductions are included.

Moreover, thousands of additional families and individuals will be slated to lose *all benefits* and public entitlements under Social Security, AFDC, food stamps, and medicaid. For example, over 14,000-16,000 families will be removed from the food stamp rolls next year because these families will not be eligible for such benefits under more stringent federal requirements. The policy changes impact real people who reside in our neighborhoods. (Note the table below.)

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— AND MORE —

# Neighborhood Impacts and the Budget Cuts

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## Effects of Budget Cuts on Public Programs In Illinois/Chicago

	Cuts in Millions	
	Illinois	Chicago
<b>Social Services</b>		
Food Stamps, Supplement	\$90	\$60
Food Programs, Legal Services, Title XX		
40 Additional Programs		
AFDC Funding		
<b>Health and Hospitals</b>		
Medicaid, Health Systems Agencies, etc.	\$60	
<b>Education</b>		
Social Security Benefits for Students, and to low-income students	\$155	\$30.7
45 additional programs to be blocked into two (2) grants, higher interest loans for students		
<b>Urban Development &amp; CDBG</b>		
CETA		\$30-40
Neighborhood Rehab and CD programs		\$2-8
Section 8 rent subsidy		\$2.2
CDBG		\$6-14
UDAG		\$8

SOURCE: Chicago Sun-Times, Legal Assistance Foundation Report, June, July 1981

The people in our neighborhoods most affected by these cuts are broadly classified: as poor people, on fixed-incomes, little-income or no-income—beyond public income transfers. They are disproportionately Black, Hispanic, the very old and young adults. They are generally undereducated and most often they are women. In many cases they are single parent heads of households with multiple dependents.

For these households public assistance is essential for the following needs:

- income assistance for housing, energy, food and medical and health care.
- day care services and elderly nursing care.
- employment opportunities and skills training.
- jobs generated by economic development within the neighborhoods.
- public education assistance programs.
- drug rehabilitation and counseling.

## Chicago Housing Needs

According to the HUD Housing Assistance Plan prepared by the City of Chicago, Department of Housing, there are an

estimated 265,000 lower income households in the city. These households are overwhelmingly concentrated in ten neighborhoods. These neighborhoods are also among those with the highest percentage of substandard housing (requiring moderate-to-substantial rehabilitation). They are among the areas in the city with highest rates of overcrowded units as well as the highest rates of demolished housing.

There are at least 240,000 housing units in need of at least moderate rehabilitation in Chicago. 75,000 require substantial rehabilitation. An additional 14,000 units are so dilapidated that demolition of the units is the most feasible course of action.

Of the 265,000 lower income households in most need of subsidized housing there is only enough public assistance money under existing programs to meet the needs of less than 11,000 households in 1981-82.

At this rate how can the low income housing gap be closed? Currently CHA has plans to build about 2200 scattered site housing units. Couple this with available rehab housing assistance loans and Section 8 rental subsidies and it is clear that we are being forced to go at a snail's pace while being confronted with a housing situation of crisis proportions.

It would require—an average—\$100 million for each of Chicago's neighborhoods to substantially close the existing low-income housing gap. To generate sufficient affordable housing of adequate quality to meet the housing needs of the most needy segment of Chicago's neighborhood populations would require a massive commitment of resources and a re-orientation in the way we look at subsidized housing. Those who most often look down upon public assisted housing with chagrin and distaste—particularly when it is colored with deep felt racial bias—should keep in mind that the suburban housing sprawl of the past three decades was facilitated by massive public subsidies, tax credits, guaranteed interests loans and public transportation outlays which drained resources from the central cities. Now, who's being subsidized?

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Mary Nelson of Bethel Housing confronts Mary Byrne. 1980 photo.

# Development Without Displacement

## Adjacent Neighborhood Acquisition: Hard Fought Victory

—Maureen Hellwig

### Credit Where Credit Is Due

The front page of the August 10 edition of the Chicago *Tribune* proclaimed the good news: the Adjacent Neighbor Acquisition (ANA) Program is now underway. This program will allow owner-occupants living next door to a city-owned vacant lot to obtain it for as little as \$1.00. What the article *did not* say was that this program was an idea that was born in the Community 21 area. Community 21 residents came up with the idea, had their community organization staff write it up, got their Aldermen, Mell, Gabinski, and Nardulli, to submit it as an ordinance, and lobbied for its passage. We have to say the Mayor knows a good idea when she sees one. She just forgot to mention it wasn't hers.

Over the last 12-15 years, the City of Chicago has been accumulating an inventory of vacant lots at an increasingly rapid rate as a result of foreclosures on demolition liens. This is documented in a soon-to-be-published study by Community 21, Midwest Community Council and the School of Urban Sciences at (UICC) Circle Campus. Consequently, many neighborhoods now hit with heavy housing losses find that the City is the number one absentee owner of vacant land in their community. As in the case of most absentee landlords, the City has taken little or no responsibility for cleaning or fencing these lots. Residents concluded that numerous local clean-ups were futile. The only permanent solution was a

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## Budget Cuts and Neighborhood Impacts

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### Neighborhoods: More than Bricks and Mortar

While a central issue in Chicago's neighborhoods is the quest for policies that can produce affordable units of housing, it cannot be isolated from the related problems that a comprehensive picture of neighborhood development forces upon us. The housing crisis in Chicago's neighborhoods cannot be resolved without both recognizing the need for neighborhood economic development and implementing programs that generate jobs and income and the necessary skills training and educational opportunities sufficient to neighborhood residents to fill these jobs. There are 4,000 to 6,000 CETA jobs which will be phased out due to federal cuts.

Chicago will lose some \$30 million in direct income alone. In addition, there are no provisions for youth training programs to be implemented in a new form. If this potential pool of resources is not developed, and if alternative job-generating efforts are not implemented, the loss of 'CETA type' jobs can have devastating social, economic as well as political consequences.

The CRN has proposed the establishment Housing Rehab/Energy Conservation Companies as neighborhood based corporations that would not only attempt to close the low-income housing gap, slow down the rate of housing cost rises through concentration in energy rehabilitation and weatherization, it would provide jobs and incomes. Further, that income would circulate a bit longer in the communities, generating and sustaining indirect employment.

**CHICAGO REHAB NETWORK 11-81**



West Town residents attending an NCO meeting in the Community 21 area in 1979 to urge aldermanic support of A.N.A.

### Housing Development Without Displacement

In addition to having a capacity to put people to work, this program would also contribute to skills acquisition among a segment of the population most vulnerable due to the escalating level of skills required in today's job market.

In this period where the federal government in particular and state and local government are pursuing wholesale policies of social welfare retrenchment, low-income housing interests can ill afford to pursue housing development projects in isolation from related issues confronting the neighborhoods.

### Conclusion

The short of this issue is not merely mass influx of dollars alone or merely more giving by the private sector. There is a need for new leadership to assert itself at the neighborhood level which can command the respect of low income housing interests and neighborhood people who are in most need of housing.

Analysis of the problem is not sufficient—though it is extremely necessary. What is immediately on the agenda in the housing/neighborhood movement is the quest for political clout—as the product of people organizing for change, demanding from public officials and politicians that their needs become prioritized on the local decision-making agenda. There is a growing need to revitalize the housing movement. It is only in this context that Reaganomics can be confronted and supplemented by more progressive policies that bring substantial changes in the lives of the poor and growing numbers of destitute people.

—D. Gills

# HILTON TAXBREAK . . .

**Hilton's Tax Break:  
Who Shoulders the Burden?**

— Toni Hartrich

Since late last summer, the question of a possible 13 year property tax break for Chicago's North Loop—including a new Hilton Hotel—has been talked about in the media. The North Loop Project, as City Hall has dubbed it, is a 7 block revitalization or urban renewal project in the north part of the Loop valued at \$1 billion. This project has been under consideration by the city in various forms since 1973. As currently envisioned, it will include office, hotel, retail, theater and residential uses. Most of the current structures, some of historic significance, will be leveled to make way for this new development. The question of the need for a tax break for the area has become a subject of controversy. It has been asked if this is simply an instance of two Chicago Democrats—the mayor and the county assessor—squaring off over the question of political power, or whether there is more to the issue.

It boils down to two questions: 1. What is to be gained or lost by giving this type of tax incentive? and, 2. Who will do the gaining or losing?

To understand the relevance of these questions, let's first look at the incentive. It is a 13 year tax break which reduces a new commercial venture's property assessment for local tax purposes from 40% of market value to 16% of market value. This means that the local taxing bodies will receive only 40% of the taxes they would otherwise be entitled to from this new commercial enterprise for a period of thirteen years. This write down is given with the aim of inspiring new economic development in "economically blighted areas" of the city. This tax break is made possible by a new county ordinance which is being tested for the first time in the North Loop. Ini-

tially the city intended to ask for a tax break for a 7 block area of the North Loop, but after much controversy the mayor cut her request to only the two block Hilton Hotel site on State and Wacker.

A key question involving the tax break issue is: Would the site be developed without the tax break? If it would, then the local taxing bodies (the schools, County Hospital, the city, etc.) have nothing to gain in the long run by offering the incentive.

Hilton is now saying that they can't build without the incentive. This same "hard luck" story was put forth earlier in the controversy in regard to the entire project area. Yet, although 5 blocks were taken out of the incentive area developers clamor to build there.

The question of who gains can be answered simply then in this case—it is the developers of the Hilton Hotel and the federal government.

The developer has something to gain, however—a windfall profit. Also, something to gain—more tax revenues from a local business. This federal gain is caused by the fact that businesses can deduct their local property taxes from their federal income taxes, and so, when they pay less in local taxes they pay more in federal taxes. It ends up that although the local taxing jurisdictions lose 60% of their potential revenue from the new project, the federal government gains 42% of that revenue. In the Hilton's case, if the local jurisdictions lose as is predicted \$102 million in potential revenues over 13 years, the federal government could realize almost \$43 million in additional revenue and Hilton would realize about \$59 million in profit.

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## Adjacent Neighbors

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change of ownership. If the lot belonged to the family next door, they would have an interest in cleaning and fencing it to become a side yard.

In the fall of 1976, the city Real Estate Division was approached by residents with the help of the organizing staff of Erie Neighborhood House and the Northwest Community Organization (NCO) to find out how, and if, residents could buy these lots. From that initial encounter and subsequent research by the Community 21 staff, it became clear that the existing "process" for purchase was far too cumbersome and expensive to be of much use to low- and moderate-income residents of areas like West Town or East Garfield Park.

In a report to the Community 21 and NCO Boards in 1977 (entitled "Community Controlled Land Use") the Community 21 staff proposed Adjacent Neighbor Acquisition (ANA) as one of 3 programs to deal with vacant land in central city communities like West Town. From that point on, ANA became a community organizing objective that culminated in victory with the passage of the ANA ordinance on March 6, 1981.

At that session of the City Council, the Aldermen of West Town acknowledged the work of community residents in bringing this idea to their attention. The Mayor has not been so honest.

For all the people out there who know the truth, we offer our *congratulations!!* To the members of COPA who came up with the idea in 1976; to the Community 21 Board that put the planning office to work to research and write up proposal called "Adjacent Neighbor Acquisition" in 1977; to the members of The Organization of Palmer Square (TOPS) who convinced Alderman Mell to submit an ordinance and then helped write it in 1979; to the NCO Congresses of 1979, 1980 and 1981 that passed resolutions in support of ANA; to the NCO Vacant Lot Committee that worked hard the last 2 years to get the ordinance passed and the procedures published; and most of all, to all the residents of West Town who attended so many meetings. The neighborhoods of Chicago owe you their thanks. We remember even if her honor doesn't.

*Maureen Hellwig is Director of Community 21 and a CRN Board Member. Her articles frequently appear in the pages of the Network Newsletter.*

# CITY AXES NETWORK

*Continued from page 1*

The City of Chicago and DOH officials have one central beef against the CRN. The Network has reserved the right to acquire public funding through the City while continuing to be a critical voice of dissent in the interests of low and moderate tenants, home owners and small landlords. It has frequently entered into public debate with city policy makers in the past and actively opposed housing and neighborhood policies in previous years (including the ill-fated mortgage based program proposed by the DOH and the Mayor's Office last winter). For this action, the NETWORK was neither forgiven nor forgotten.

## The Uniqueness of the Network

It is common thinking among many students of urban politics that "you don't bite the hand that feeds you." This adage is premised on a certain view of political funding and power. Any dependent actor will compromise principles in the face of a threat of being "disinherited" by the City Fathers (or Mothers) and only bolts out against the authorities if they have another source of survival.

Philosophically and politically the dominant view with the Network is summed up as follows:

Because neighborhood groups exercise their rights to acquire public subsidies and services (or private funds) does not imply any commitment to be silent on policy questions which are not in the best interests of the general low and moderate income constituency the particular agendas of the respective groups throughout the City.

Bad policies have to be corrected and better policies put in their place. Group action and independent initiative is essential. Although the NETWORK has not completely divorced itself from self-interest politics (nor would one expect its members to do so) it has been consciously willing to advance the broader interest of the low income communities in search of decent, safe neighborhoods and affordable housing. The fact that for five (5) years the Network has been able to subordinate self-interests to the common concern of its members and their constituency is a basic part of the uniqueness of the NETWORK in Chicago neighborhood politics. It also accounts for its ability to survive as a diverse organization. This is a not so typical occurrence in Chicago.

There are other ways in which the NETWORK has demonstrated its unique role in the low-income housing field and neighborhood politics.

The NETWORK has been able to hold together a coalition among Blacks, Hispanics and Whites reflecting the three largest nationality groups in Chicago around a common notion that the distinctive local agendas of the constituent groups must be respected and a common consensus can be reached in which all join in the struggle for resources to make neighborhood improvement possible. The collective aspiration to find a common ground has been the gel holding such a diverse group together.

## Unique Services Offered by Network

Despite the limited financial resources that have been made available to the CRN (and NHDOs in general), our accomplishments have been significant, modest though they may be. The Network and its member groups have accumulated a great deal of expertise in the low-income housing rehab field. This is especially notable in light of the paucity of financial mechanisms and instruments with which we have had to work in the past, and in light of the fact that the industry itself is rather young. This is further complicated by the fact that CRN concentrates on affordable housing for low and moderate income families. But, it is not "units completed per dollar spent" that is the real bottom line in Chicago neighborhood politics.

More relevantly, the Network has provided a common voice through which small NHDOs could find a forum on the policy makers and those actors in the private sector who influence policy making. It is to the extent that the Network has refused to be—singularly or collectively—silenced and muffled into playing the numbers (\$=, #) game that it has been able to gain legitimacy and credibility among people organized at the grass roots level. Perhaps this has been the greatest strength and success of the Network as well as its most glaring shortcoming. This is true for most groups of its character.

The Chicago Rehab Network has dared to buck the proverbial "system." Its success in utilizing this strategy in neighborhood politics is a question of POWER. The extent to which the NETWORK delivers an undesirable consequence upon the City is a function of how well the NETWORK is entrenched and recognized in the neighborhoods and the people who are willing to defend it.



## Networking

# Hilton Tax Break: Who Shoulders Burden?

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The federal government, when it granted the UDAG funds to the North Loop Project was not particularly in favor of tax incentives in relation to UDAGs. Now, however, under the Reagan administration tax incentives are encouraged. Furthermore the federal government has embarked on a general policy of cutting federal assistance programs in housing and other important areas especially affecting older northern cities. As a consequence the federal government will stand to gain a windfall from a situation like the Hilton tax break. Even though it is not really a conspiracy on their part, it represents a true imbalance in the system.

The question of who loses can also be answered. If the tax break is given and is unwarranted as it appears to be—then we are all losers. It cuts the potential new revenue to schools, the county hospital, CTA, the city, etc. These taxing jurisdictions face two choices, either to cut back services or to increase the taxes paid by businesses and individual taxpayers in the city. However the city government does not have to lose revenue in the short run. It has the ability not only to increase its share of property taxes by raising its tax rates but has also been ingenious recently in finding other tax sources—like the extra 1¢ sales tax; the service tax; higher water rates, etc.

Sadly, the type of incentive the city is offering to Hilton has proven to have little effect on the amount of building done in economically depressed areas in other cities. So while it tends to shift the tax burden onto other taxpayers and to contribute to the strain on local resources, it does not tend to produce the desired effect—economic revitalization of blighted areas. What it has done in other cities is to give areas which would be developed anyway an unnecessary advantage over businesses building elsewhere. At the same time truly blighted areas tend to be ignored. And it does become a tool for economic blackmail—A business can say it will not build without an incentive and the only way to test that statement is to call their bluff.

Although incentives look nice on paper as an encouragement to local revitalization, they are not generally used in a way which really helps such revitalization. Rather, they have been used to give unneeded tax breaks to large expensive ventures like Hilton, GM and large luxury condominium or apartment complexes which tend to locate—even with the incentives—in the better part of town. They do not end up in local neighborhoods which may need assistance nor are they used for small local businesses. For example, this has been the experience in New York City, Cleveland and St. Louis.

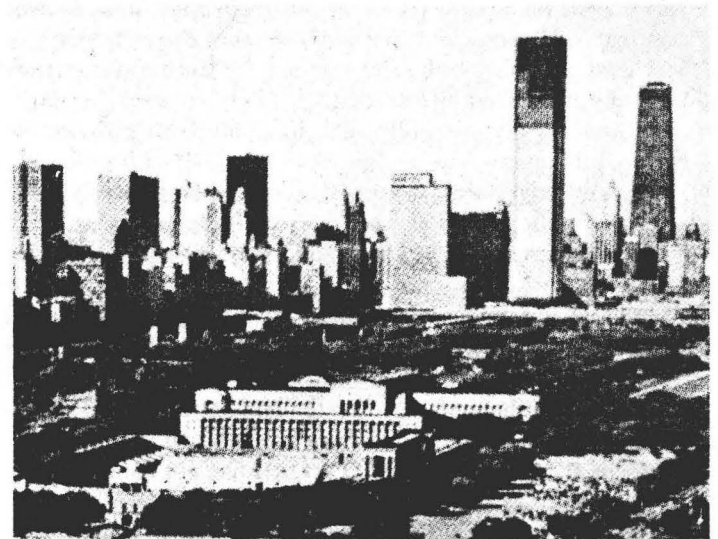
If the incentive is not given to the Hilton no one can guarantee that they will still build there. But considering the city has already given Hilton a major incentive—cleared land at \$50 a square foot which is valued at between \$250 and \$300 a square foot on the open market, it is very likely they will still build there without the incentive. And what if they don't build there? Then the worst we can expect is another hotel developing there or an office building, while the Hilton either renovates the old hotel in the South Loop or builds a new one on

the near north side. We will still have the Hilton jobs and property taxes and perhaps another major employer in the city in addition—all with no tax break.

Cook County's incentive ordinance is written in such a way that it gives us a potential safeguard against abuse. The assessor must rule on the need for the incentive in each individual application of the ordinance. Assessor Hynes will be holding public hearings on the Hilton case. The more Chicagoans who raise questions about the Hilton case at these hearings the more pressure he will feel to call Hilton's bluff.

Housing Agenda (346-7871) has information on the hearings and should be contacted by individuals who want more information or who wish to speak at the hearings. It is important for people to speak up now on Hilton—before a bad precedent is set.

*Toni Hartrich is currently a Fellow with the Northeastern Illinois Planning Commission (NIPC) assigned to low-income energy conservation research and planning with the City of Evanston. She has acquired rich experience in property tax assessment policy analysis.*



*Photo courtesy Keep Strong*



# THE ADVOCATE

## An Editorial

The City of Chicago's contract arrangement with Hilton Hotel Corporation guarantees that Hilton will receive in excess of \$100 million in tax breaks over the next 13 years if Hilton commits to build a super hotel as the centerpiece in the government funded North Loop Redevelopment Project.

This amounts to one of the biggest farces on the public in recent years, especially when we consider the Reagan Administration's thrust to end public subsidies to the poor and needy. Certainly Hilton doesn't fit the category of the "truly needy," yet taxpayers will have to cough up millions for the privilege of adding some new face to the Chicago skyline.

Once more, Chicago taxpayers and neighborhood residents will take it on the chin if this lucrative deal goes through. Already faced with an increasing tax burden to be borne in order to keep the financially torn CTA, the public schools and the CHA afloat, Chicago taxpayers now are being called upon to "grin and bear" this insult to the public. At the same time, perhaps the most victimized sector of the city will be the neighborhoods and the low and moderate income families who live in them.

The City of Chicago receives over \$120 million in community and urban development monies from the federal government. A mere \$2 million of that was used for neighborhood housing rehab services when there are at least 265,000 families living in substandard housing and an additional 115,000 families living in seriously overcrowded conditions. In both cases there are nearly 400,000 low and moderate income households who cannot afford better quality housing or larger units. Once more the neighborhoods are being shortchanged. The city is granting Hilton a tax advantage on one of the most valuable pieces of real estate property in the city. Yet its leaders cry "broke" whenever neighborhood-based groups request their rightful share of public support for much needed housing and neighborhood development projects.

### Implications of the Hilton Deal

Moreover, city officials claim they are going to have to cut the level of funding to Neighborhood Housing Development Organizations (NHDOs) and community groups in the coming fiscal year due to the funding cuts. NHDOs have requested only about 2 percent of the federal funds received by Chicago.

The Hartich article examines some of the reasons that a mounting opposition has begun to speak out against the North Loop/Hilton Hotel tax abatement plan. Among them, critics charge that no clear criteria governing the North Loop redevelopment project have been met by the Hilton deal. Moreover, it is not clear whether: the North Loop area cannot be developed without the enticement of a tax abatement; that the North Loop area bordered by State, Wacker, Clark and Lake Streets constitutes a commercially blighted area requiring the 60 percent tax break the city officials and Hilton claim is needed to develop the area.

Hilton plans to construct a \$200 million hotel within the area and a 60 percent tax break over the next 13 years would cost Chicago tax bearers valuable revenue that they would otherwise have to support CTA, the city schools and other public services.

CHICAGO REHAB NETWORK 11-81

## A Fiscal Consequence of Hilton Tax Break

	Revenues in Millions		
	Revenue without tax break	Taxes collected with tax break	Loss of revenue with tax break
All jurisdiction annual	\$ 13.16	\$ 5.26	\$ 7.9
All jurisdiction 13 years	170.8	68.3	10.2
Portion of taxes toward School Board operating funds	4.0	1.6	2.4
Portion of taxes going to School Board operating fund — 13 years	50.7	20.3	30.4

SOURCE: *The Housing Agenda*, Chicago, September, 1981

Consider this: at a time when the City of Chicago is pursuing a policy that will stifle the organized expression of the community housing movement (NHDOs) by denial of funding for CD Year VII, for many not-for-profits, it is handing over to Hilton (a for-profit corporation) nearly \$9 million annually.

And so the beat goes on. The Hilton Inn/North Loop Project will rise to cast an ominous shadow over the not so distant neighborhoods of the near north, west and south sides where large concentrations of low and moderate income people reside under the continued threat of resident displacement.

Perhaps there is a deal the City of Chicago could offer Hilton Hotel Corporation.

Were Hilton to relinquish its rights to the old Hilton to the public trust, this building could be rehabbed and converted to low and moderate income highrise cooperatives with all the proceeds (above costs) being put into neighborhood development projects. Moreover, Hilton should contribute a \$2 per day rebate to the City Department of Housing for each room rental over the next 13 years. This money would be put into financing neighborhood rehab services by community based groups.

It is outrageous that a private international corporation should need a lucrative enticement to pursue such a profitable venture while other developers pursue such ventures without government subsidy. It is literally incredible that the city would accommodate Hilton (rather than the city building its own hotel).

Hilton should exercise its self-initiative too and not be so greedy. The public treasury should go toward providing needed assistance for the many "truly needy" who are subjected to deteriorating schools, high transit costs, along with poor, inadequate and costly housing in unsafe neighborhoods.

—D. Gills

# DROP IN ON POLZ

## Aesthetics and the 'Hood

by Henry Polz

A dialogue is planned for artists, architects and citizens to discuss "urban neighborhoods" on October 22, 1981. This event is sponsored by the University of Illinois Chicago Circle, and is funded in part by the Illinois Humanities Council. Sounds ambitious.

But, there's a problem. It is extremely difficult to understand the objectives, agendas, and namedropping of the conference sponsors. Many right ideas and right people have been mentioned in the funding proposal for this conference, and in conversations with the sponsors. Other names, however, have been used carelessly, or perhaps provocatively, and some "conference consultants" speak for constituencies that they have no right to speak for. One asks: Are these merely the rough edges of the notoriously imprecise proposal and conference business?

No. There is a real danger in all this loose talk about the arts and neighborhoods. And, I'm afraid, neighborhood folk have the most at jeopardy: witness the recent suit to stop Section 8 housing in Wicker Park, or the confounded preservation efforts of Pilsen's artist colony.

Let's pose a few options on the possibility of *dialogue*.

- The beneficial participation of artists, designers, and architects in self-directed and controlled neighborhood development.
- Indigenous neighborhood art and design. Art and good taste are not the sole province of outsiders.
- Neighborhood development vision of inmoving artists, architects, and designers, and how they seek to promote a "unique community" or integrate themselves with existing community.
- Art, design and architecture imposed on neighborhoods.

It seems to me that neighborhood residents could only have meaningful dialogue with artists and architects concerning the first two options, and the latter part of the third. Dialogue on the remaining options—which are all too prevalent in Chicago and elsewhere—could serve no more purpose than for the ventilation of gentrification horror stories, or as a forum to unveil new utopias. Unfortunately, the conference sponsors do not understand, or refuse to recognize, the nature of the problem.

This confusion (or position) obscures the real issues. Many artists, designers, and architects have sided with neighborhood self-determination, and have seen their work as part of a broader movement for local control and social justice. And it must not be forgotten that artists are often moved out first, exploited by developers and landlords, and generally given a raw deal.

Maybe that's where this conference should begin: the raw deal. I think this might clarify the purpose of the dialogue.

For more information on this conference, please call Aimee Horton (996-4834).



One of many vacant lots in the Community 21 area that could become a garden—aesthetically pleasing for residents—through Adjacent Neighbors Acquisition.

# South Siders Win Renewal Battle

South Side residents in the 41st and King Drive area scored a victory earlier this month when a federal judge halted a city urban renewal project which threatened to displace hundreds of neighborhood families.

U.S. Judge Prentice Marshall in District Court ruled in favor of local residents who brought suit charging that the federally funded project would demolish rehabilitable homes and dislocate stable families. Judge Marshall's ruling ordered HUD to direct the City's Department of Housing to stop using federal funds on the project, allowing time for a review of the plaintiffs' charges of unwarranted demolition and displacement.

In the suit, Marshall supported the residents' claim that HUD had not given consideration to the policies of housing preservation and avoidance of displacement of existing residents.

Attorneys at the Legal Assistance Foundation of Chicago hailed Marshall's 41-page opinion as a major legal benchmark.

Sara Johnson, an attorney representing the homeowners in the South Side target area, commented that Marshall's opinion was a "landmark decision in urban renewal law." It is possibly the first case that establishes HUD's obligation to minimize the displacement impacts resulting from housing and neighborhood development projects. At the same time the ruling sets the procedural guidelines that HUD and its agents must consider the possibility of preservation of existing structures.

## Background to a Classic Case

In 1977 the U.S. Department of Housing and Urban Development approved a private developer's application to use Section 8 subsidies to construct 190 units of low and mid-rise apartments as the center for a complex to include a swimming pool, tennis courts, parking spaces and a community center. The property where this complex was to be sited was the area bounded by Martin Luther King, Jr. Dr., 41st St., Vincennes Ave. and the CTA tracks. This area was one where more than 300 families once resided. Presently all but about 50 families have been displaced.

According to Johnson, the remaining families occupy housing in good condition and they want to stay.

## IHDA and the City Join Forces

Funding advances for the private development were made by the Illinois Housing Development Authority (IHDA) in 1978. IHDA has recently been under increasing public scrutiny based upon its "questionable priorities" and its role in contributing to displacement of low and moderate income families in order to accommodate middle income "gentrifiers" in revitalizing areas of the city. Also in 1978, IHDA allowed the developers to start acquiring property, although a mortgage loan on the project is still pending approval.

The City Council in Chicago designated the area "slum and blighted" in 1979, authorizing the city to acquire property in

the site and to demolish existing structures. The net result has been that over the three-year period over 200 buildings have been demolished and 250 family-residents have been moved out.

## Development and Displacement

According to Johnson, the City has admitted that some of the dwellings which remain are sound structures, and among those it wishes to demolish, most need only moderate rehabilitation. The City claims that rehab is underway in several of the buildings. Yet at this point the bulk of the damage has been done.

The residents in the 41st and King Dr. area recognize that they are not out of the range of the bulldozer yet. Eminent domain proceedings are still pending against the remaining 10 to 15 buildings that still exist in the area. Under the Marshall ruling, the City need only review and consider the possibility of refurbishing the existing buildings. The overall project can continue once this is done.

It will require continued legal action and public pressure on the part of the residents and their supporters to stop the forces of displacement that have accompanied this development.

At a time when affordable housing is an endangered species, low and moderate income housing interests need all the force they can exert to retain available housing.

# Development Without Displacement



**It is time to do it again, come together, Network, share ideas, plan for action. Join CRN and other supporters at the Mini-Conference, December 5, 1981.**

# MILWAUKEE A STUDY IN D

## LEE APPLETON

*My family has been forced to move 7 times in the last 10 years. Once place I lived is now a football field for Crane High School and another place was turned into CHA housing. It's been tough on us. I walked the streets for almost a year before getting this place. I know the area; I've lived around here for 10 years and I can tell you it is difficult to find decent, affordable housing when you are Black and when you have children, especially teenagers. Some people tell me we could move to the south side and find a good place with rents as low or lower than we pay here. But my husband works downtown and the "el" here is just a block away, and I don't have any problems with any White or Latino neighbors.*

*I feel settled now; one daughter lives in this building and another 1 block away. My son says he likes Kosciuszko Elementary School. He is doing well and has made friends. I don't want him adjusting to yet another new school.*

## RAMONA COLLAZO

*My elderly parents live upstairs. It's important for me to be close to them because of their health problems. My best friend of ten years lives next door. We get along despite the common belief that Puerto Ricans and Mexicans do not mix. I have been in this immediate area for about 14 years. I go 4 times a week to my church which is 1 block away and once a month to the doctor who is 2 blocks away, because I have diabetes. When I run short of cash and before my welfare check arrives, I am able to get credit from the local grocer who I have known for 11 years. Finding another apartment with two teenagers at a rent I can afford and in the same neighborhood will be almost impossible.*

## FRANCISCO LOPEZ

*We are not healthy people, my wife has asthma and I have arthritis bad. People around here know us and are available to help out—especially the family on the third floor. We have become very good friends over the last 4-5 years. We have lived on the same two blocks for 11 years. My son and his family live just across the street. We attend St. Stanislaus Church and have done so since we moved in the area. Our four younger children are in Kosciuszko Elementary School. I bought this building four years ago and I meant it to be an inheritance for my children. A new roof and boiler were just installed; we keep our building in good shape.*

## BARB NEGA

*My family has been in this neighborhood for generations. I have lived in my house for nearly all of my life. My grandparents and parents also lived in this house. Today, my husband, two teenage boys, my sister and I share our wonderful old home. My roots are here—we are surrounded by life-long friends, my job, our church, schools, shops and other necessary elements which make up my life.*

*Our neighborhood has gone through some bad times, but we stayed, and fought the problems; now one of the best things about the neighborhood is that people of different backgrounds live together so well.*



"Contigo" TV show—Residents discuss effects of Milwaukee/Ashland Project. 1980 photo.

The above stories are based on fact. Our characters are real people who not only share the same few city blocks but also share a fear of not knowing where they will be a year from now.

The place is on the near northwest side in the Bethlehem St. Stanislaus community area. The disrupting force is a commercial development project known as Milwaukee/Ashland (See Box A) which is being aided by the City of Chicago urban renewal powers and Community Development monies.

The project area was designated as "commercially blighted" in November 1979. After extensive attempts to challenge the accuracy of the "blighted" designation and to modify the project, residents filed suit in federal court asserting that the lack of available replacement housing in the immediate area is sufficient cause to have the project stopped. (See Box B) To date, this legal strategy has not worked. So it appears that the wrecking ball is on the way, though efforts to stop or change the project continue.

"Displacement" is a buzz word to which we have become accustomed. Many of us tend to talk about "displacement" as a phenomenon, as a direct or indirect consequence of governmental activity, as a private market force but rarely in terms of people.

But people define displacement and the people identified above are about to lose their homes. What do their stories tell us?

## The Neighborhood Web

Well, in part their stories are about a neighborhood and what a neighborhood can best offer. We learn that, despite the many tensions which may exist, a racially and economically integrated neighborhood can work for its members. Long-term residency and ownership fosters commitment, personal investment, familiarity and a sense of belonging.

CHICAGO REHAB NETWORK 11-81

# MILWAUKEE/ASHLAND: DISPLACEMENT



Milwaukee/Ashland residents have repeated in many meetings and forums, "We shall not be moved!"

A neighborhood is an environment where social ties and friendship networks are nurtured. A neighborhood is an environment where support systems for multi-generational residents exist, where elderly can get help to remain self-sufficient and where personal convenience is increased. A neighborhood is where family clustering often occurs, where resident stability often results in affordable rents, and where housing maintenance and resident ownership are encouraged.

The advantages of good neighborhoods to individuals and to the City of Chicago as a whole are obvious to all of us. So why are people being forced out of their homes and out of their neighborhoods which they have helped build and create?

Few of us disagree that many Chicago communities could benefit from the infusion of resources which would result in housing stock renewal and revitalized job generating businesses and industries. But extensive disagreement exists as to how to proceed with specific redevelopment activities. Many private citizens and government officials believe in the "shot in the arm" theory—that is that any investment in a needy neighborhood would be welcomed at any cost. Typically, such activity is undertaken by a speculating developer with no ties to the community. The Milwaukee/Ashland shopping mall is one such example.

The "shot in the arm" approach to neighborhood revitalization can appear attractive. Many reasonable folks are seduced into thinking that this approach to neighborhood improvement is desirable and beyond criticism. One of the more attractive features of Milwaukee/Ashland is the rehabilitation of a former Wieboldts store. This building has been vacant for six years and has been a target of vandalism and a source of concern to area residents.

But at what cost will this commercial development project proceed? An immediate cost of this "redevelopment" project is the demolition of existing sound housing—housing which is generally well kept and maintained; housing which is afford-

*After losing their house on a nearby street during the depression, my parents were able to scrape up enough for a down payment for this house on Paulina which my grandparents had also lost earlier to a bank.*

## JOE DRESSEL

*I served in France in WW I. I am now 84 years old. I was discharged in April 1919. In May, I started by tire business on Ashland Avenue, renting a store from Wieboldts.*

*In 1927 I built this building where I've lived and worked ever since. In 1972 I retired and my son-in-law took over the tire business. So our tire shop has been in continuous operation on this block since WW I. With so many years of contacts here, my son-in-law does quite a good business. My grandson who recently graduated from DePaul plans to take over the shop eventually.*

*I help out downstairs—I can't do any heavy work, but a lot of times I sit up front keeping watch on things while my son-in-law and grandson work in back. It's nice to see a few old timers who still stop by to say hello or get their tires fixed.*

## CHESTER OKRASINSKI

*This building is our income. What we get from Social Security would have us in a breadline if it weren't for the income we get on the building. My wife and I know that some of the newer landlords around here are getting a great deal more for rent than we are, but our needs are being met and we have no mortgage to pay off. Besides, some of the tenants have been here for 10 years and we get along just fine. I do not know where they will go if we are forced to move; my wife and I will probably have to move in with relatives. We have looked around at other buildings, and anything similar to ours but in other neighborhoods is much more expensive. Besides, I am too old to get a mortgage and too old to start over.*

able and decent; and, the kind of housing which residents would seek to preserve under ordinary circumstances.

A direct cost of the redevelopment project is the forced removal of people—people who make and build good neighborhoods; people who have made major contributions to the character and viability of their neighborhood; and, the kind of people upon whom community stability is based.

And what would be the longer range cost or effect to the neighborhood? The anticipated rental rates quoted by the developer for commercial space in the project would be beyond what most local merchants could afford to pay. So who then will the shopping mall serve? Existing residents? New residents? Gentrifiers?

If urban development goals have to do with neighborhood stability, building a positive social fabric, and preserving existing sound housing, then the nature and consequences of current redevelopment activities in the City of Chicago must be changed. Clearly, the Milwaukee/Ashland activities are no source of celebration. New methods need to be found to get public officials and private developers to behave in ways which are consistent with neighborhood preservation objectives.

*Story continued on next page*

# Milwaukee/Ashland: A Study in Displacement

## The West Town Shopping Center

First made public in September 1979, the renovation of the five-story former Wieboldt's Store at 1279 N. Milwaukee Avenue is the focal point of the West Town Shopping Center, also known as the Milwaukee/Ashland Project. Developer Gerald Fogelson intends to convert the first two floors of the building into a 20-story "mini-mall" and to install a restaurant and offices on the upper floors.

To the north of the building, along Ashland, Bauwans and Paulina Streets, 34 residential and residential/commercial buildings with 86 occupied apartments are to be demolished to make way for a 306 space parking lot and a large (6,000 square foot) supermarket drug store, probably a Jewel-Osco. In addition 12 existing commercial buildings containing 14 businesses are to be torn down to create open space around the center. A new smaller building to contain about 20 stores is to be constructed on currently vacant land east along Ashland Avenue.

BASSA Neighborhood Council and Northwest Community Organization have fought the proposed demolition of the existing sound housing. With the help of the Center for Urban Economic Development at Circle Campus, alternative layouts designed to save the housing were suggested. But City officials and the developer maintained that the Jewel-Osco and the parking lot as originally sited are essential to the success of the project.

In the meantime, the City has allocated \$4.5 million in federal community development funds for acquisition, demolition and other project activities. Apparently unrelated to current activities but raising questions about future yet unknown plans, Fogelson was recently the successful bidder to purchase a City-owned parking lot on the opposite side of Milwaukee Avenue, across the street from the former Wieboldt's store.

Most recently, suspicions regarding the financial feasibility of the Milwaukee/Ashland project have grown. When originally announced, the "mini-mall" was to have been opened in the Fall of 1980. To date, little work has been done in the building, let alone the opening of any new stores. In June, giving further evidence that the project might be in trouble, the federal Economic Development Agency turned Fogelson down for a loan guarantee of \$7 million to renovate the main building.

The current concern is how to get the City to re-examine the financing for the West Town Shopping Center. The emerging nightmare is that the City will proceed to acquire and demolish the housing which will result only in the construction of Jewel-Osco. Ironically the former Wieboldt's building may well remain empty and therefore continue to be a blight on the neighborhood—the problem which started the whole project in the first place.

## Milwaukee/Ashland "Displacement" Suit

A shopping center planned for Milwaukee and Ashland Avenues on Chicago's near northwest side will destroy the homes of nearly 300 people. Where will the displaced families go?

Responding to widespread views that displacees should be afforded an opportunity to remain in their neighborhoods, Congress passed a law in 1977 that required cities using community development funds in a redevelopment project to provide displaced families with a "reasonable opportunity" to remain in their neighborhoods. This was the requirement at issue in the Milwaukee/Ashland case.

Represented by Business and Professional People for the Public Interest and the Legal Assistance Foundation, the plaintiffs (families living in the project area and NCO, the Northwest Community Organization) contended that there were in fact no relocation opportunities in their neighborhood and that the City was ignoring its duty to provide them. Supported by the U.S. Department of Housing and Urban Development, the City argued that its duty was discharged merely by promising to do what it could, even though no tangible evidence indicated it could make good on the immediate neighborhood relocation promises.

On June 29 the Federal District Court ruled in favor of the City and HUD. The opinion said that the "immediate neighborhood" duty applies only where relocation housing is in fact available in the immediate neighborhood; there, as in the case of Milwaukee/Ashland, there was no such housing, the City was relieved from any duty to provide it.

BPI and LAF believe this is an incorrect view of the law and have indicated they will probably appeal. The issue is critical. All across the country, families are being moved out of their neighborhoods involuntarily because the "immediate neighborhood" duty has never been clearly defined and enforced.

*Selma Weiss is Neighborhood Development Director for BPI, Business and Professional People in the Public Interest. Her articles frequently appear in the Newsletter.*



Residents have entrenched themselves for a big battle to save homes.

CHICAGO REHAB NETWORK 11-81

## DEVELOPMENT WITHOUT DISPLACEMENT

**FAMILY ADVANTAGE SAYS: "GIVE THE FAMILIES A BREAK, STAND UP FOR THE COMMUNITIES OF CHICAGO!"**

While the member groups of the Chicago Rehab Network have provided a model of low-income housing development-without-displacement which is being held up as a standard to judge the city government's poor performance, there are strong stirrings in Chicago's communities of a voter's movement aimed at the protection of the city's quickly diminishing low-income housing stock. This month I talked with Marc Zalkin, field secretary for the "Family Advantage," a fast growing grass roots movement which is making affordable housing its first priority.

Zalkin says that the campaign began among families in the racially mixed and mostly low or moderate income communities of the 32nd ward. The families were not part of any political or even community organization. According to Zalkin, "They represented only the difficult struggle of families to make ends meet in this city, and the determination to do something about it."

"Family Advantage is families working for families in Chicago. We bring family concerns directly to the City Council in the form of new laws which put the power and resources of the city to work for us and our communities. And we keep score on how our aldermen stand on the Family Advantage laws that are proposed."

**Raise Families, Not Rents**

One of the families in the movement is the Sheffler's, from the Fullerton and Southport Area. Mrs. Sheffler explained the effects of recent real estate speculation in that community. "Three doors down they have five and six room apartments. They won't rent to families with kids. The rents are going for \$300 to \$350 a month," she said.

The constant complaints about speculation, rising rents, high utilities and the refusal to rent to families with children led to the first three ordinances proposed by the Family Advantage, according to Zalkin.



Courtesy: All Chicago City News

**Tax Greed, Not Need**

The first ordinance proposes a tax on speculators who buy buildings and sell them in less than five years. The city would rebate half of the heavy taxes collected to resident small building owners and homeowners to defray property taxes which also cause rent increases. "It is speculation—the buying and selling of housing for quick profits—that is causing rent inflation," says Zalkin. "This ordinance will take the financial incentive out of speculation."

**"If We Have to Pay, We Should Have a Say"**

The second ordinance proposes that the city should license the utility companies so that rate increases would have to be passed by the City Council, and Aldermen who voted for rate increases would have to face constituents at election time.

**"The City That Does Not Protect Its Children Has No Future"**

The third ordinance proposes adding "families with children" to the City's fair housing ordinance, to stop landlords from refusing to rent to families just because they have children.

**The Way the Campaign Works**

Zalkin says that "We are asking people to become 'neighborhood lawmakers.'" According to the laws of the city of Chicago, citizens can introduce ordinances into City Council.

"Family Advantage plans to introduce each of the three ordinances signed by the 'committee of 500 families' and backed by thousands of petitions. We will hold an assembly in each ward to which the Alderman will be invited and we will ask the Aldermen who have promised support to 'co-sponsor' the ordinances with us."

What are the chances of success? Zalkin says that several hundred people are already circulating the petitions in over a dozen wards, and thousands have signed. "We believe that, with the active community support which we have seen in the last month, we will be successful in passing the ordinances in one form or another. We will definitely create the pressure on the Byrne Administration to relate to low and moderate income housing needs which that Administration deserves. And we will develop a public standard by which to judge our Aldermen for re-election. We intend to win."

Family Advantage says, "If you care, Do your share!"

*Slim Coleman is a frequent contributor to the Network Newsletter as a Board Member of CRN and as a community activist.*

**Join the Family Advantage Committee of 500**

NAME \_\_\_\_\_ I WILL (check boxes):

ADDRESS \_\_\_\_\_ 1.  Circulate Petitions

PHONE \_\_\_\_\_ 2.  Attend a Home Meeting to Plan an Assembly

FAMILY MEMBERS: 3.  Participate in an Assembly in My Ward

\_\_\_\_\_ 4.  Sign as an Introducer of the Three Ordinances

\_\_\_\_\_ 5.  Help Lobby Alderman

\_\_\_\_\_ 6.  Contribute up to \$10 to Family Advantage for Campaign Costs

\_\_\_\_\_ 7.  Help Select the Next Three Ordinances

\_\_\_\_\_

# SHUFFLING NEIGHBORHOODS . . .

**A Review of Displacement**  
by Richard LeGates and Chester Hartman  
February 1981

A walk in the West Town community of Chicago one recent Saturday provided a kaleidoscopic vision of today's urban strife.

From modest, well-maintained two flats we entered a twilight zone of urbanity and revitalization. Wicker Park is a "semi-hot" historic district of Victorian mansions and coach-houses that has attracted a "new breed" of residents while pushing out the old. Some boosters feel so strongly about the integrity of their new "urban place" that they have even filed suit to halt the construction of 27 units of low-income housing planned for the area.

We left this oasis to find streets that wore neglect and deterioration—and a lack of investment capital as lavished in Wicker Park. A fading mural told of organizing to save housing.

A block more and we came upon a celebration—the Puerto Rican Ethnic Fair at Roberto Clemente High School. This was a festival of unity to develop West Town for its own people. Salsa and leaflets mixed in the spirit of *comunidad*.

These images could have been drawn as well from other neighborhoods—other cities. West Town is atypical, perhaps, because its residents have organized to resist. Displacement often goes unopposed.

*Displacement*, by Richard LeGates and Chester Hartman, is about the involuntary movement of people from housing units and neighborhoods—in other words, what happens to poor people who live in Wicker Park. The impetus for its writing derived from several HUD documents which minimized the importance of displacement as a social phenomenon and as a public policy concern.\* In order to refute this viewpoint, LeGates and Hartman have reanalyzed HUD data, and have reviewed 16 additional studies on displacement (many only available since the HUD report in 1979).

To the question, How much displacement is there?, the authors argue that HUD's estimate of 1.4 million displacees each year underestimates the problem, and that a more reliable figure, albeit still a conservative one in their eyes, would be 2.5 million. They attribute this discrepancy to the excessively narrow HUD definition of displacement, which, for example, excludes housing moves because of rent increases and housing deterioration.

The authors cite four immediate causes of displacement:

- Rent increases;
- Condominium conversions (in selected cities);
- Rehabilitation or conversion of units to lower density or other occupancy types; and
- Public-related projects.

Although disinvestment-related displacement (abandonment, arson, and foreclosure) continues to produce displacement, there has been a decided shift from publicly sponsored displacement (i.e., urban renewal, highway construction) of

the 50's and 60's to private market-induced displacement (i.e., revitalization, gentrification). They particularly note that the role of public funds is now more hidden; instead of massive public works, Community Development Block Grant funds and Urban Development Action Grant monies are now combined with private financing to underwrite physical development projects.

LeGates and Hartman also place the displacement phenomena in the context of overall housing market changes in the U.S.—what they call the "housing market pathology" over the last ten years. By this they mean the tremendous increase of housing costs (and thus the increasing proportion of housing expenditures in family budgets), the slowing of housing production, and the conversion of rental units to condominiums and cooperatives. One might also add the changing housing preferences of young households, and the omnipresent role of energy.

Who gets displaced? Current studies show that most of the displaced, so far, are white, with a range of family sizes, blue and lower white collar jobs and with incomes generally below SMSA medians.

A large segment of this population is elderly. The authors caution that there has been substantial minority displacement, and that "second generation" displacement (the neighborhoods next door) is likely to involve more minority communities.

Tracking the moves of displacees is extremely difficult so that the authors are careful about assessing the impacts of displacement on people. Information does indicate, however, that displacees tend to settle in nearby neighborhoods, often pay more rent, and many times are dissatisfied with their new housing unit and neighborhood.

The displacer population, on the other hand, is singular homogeneous: white, young, college educated, professionals, with relatively high incomes, and small household size. In contrast to beliefs that there is a surging "back to the city" movement, most studies show that displacers move from within the same city. In terms of origin, however, only 50% of displaced population comes from the same city; the balance deriving from other cities and suburbs.

LeGates and Hartman conclude that HUD is "factually, legally, and normatively" responsible to develop policies to control displacement. Indeed, displacement is a serious public issue.

The authors further state that the empirical research fetish of HUD and other analysts is a misdirected; rather than more research they call for immediate policy action by all levels of government to deal with a problem about which much is known.\*

We end with another snapshot of displacement—more direct in this case and more painful.

A group of artists (and associates) bought a three story red brick on 19th Street, in Chicago, and shortly after posted an eviction notice on the front door for the existing tenants. Who ever saw a lease, much less an eviction notice in Pilsen—it just didn't fit.

*Continued on next page*

\* Displacement Report, HUD, February, 1979.



## **CANDO, CACI Hold Neighborhood Development Seminar**

Chicago is the city of neighborhoods. The strength of its neighborhood network and the scope of its neighborhood development expertise is unmatched in the country.

The expertise was featured at a seminar sponsored by the Chicago Association of Commerce and Industry, entitled "Chicago Neighborhoods—Current Developments and Plans in Progress." The program was held on Wednesday, September 30 at the Palmer House. The program made a significant contribution toward developing a comprehensive neighborhood development plan for the City of Chicago.

The Chicago Association of Neighborhood Development Organizations (CANDO) cosponsored the seminar. CANDO, a unique organization, has launched the nation's largest lenders' participation plan with cooperating neighborhood organizations, banks, the City of Chicago and local chambers of commerce.

Chicago's lenders' participation plan involves a consortium of banks, both large and small, that have pledged to make long-term loans to neighborhood small businesses. Some of the financing is conventional, some creative.

Such financing alternatives, development tools and organizations were discussed at the seminar, along with an analysis of problems and progress to date, the changing concept of a neighborhood, and why businesses are attracted to neighborhoods. And perspectives on business roles in neighborhood based economic development.

## **Meetings Focus on a New Agenda for Neighborhood/Housing Development**

This jointly sponsored seminar between CACI and CANDO is one of many forums and conferences being held in Chicago over the next several months.

In late August the First Congressional Task Force on Housing sponsored a day long conference which focused upon exploring mechanisms to stimulate housing and neighborhood revitalization—primarily in the predominantly Black southside of Chicago. Over 150 people attended the program which featured workshops, informationals and issue panels drawing upon progressive community activists, local for-profit and not-for-profit developers, government officials and community-based organizations.

## **The Housing Agenda Sponsors a Tenants Meet**

On November 13-14, The Housing Agenda sponsored its second citywide Tenant Housing Conference in six months. The Housing Agenda has been actively attempting to keep the critical issue of landlord-tenant relations and tenant-occupancy conditions on the public conscious. For more information concerning this significant tenant based conference, contact: The Housing Agenda (346-7871).

## **CRN Conference**

On December 5, The Chicago Rehab Network will host a citywide Housing Conference that will focus on the development of a community initiated comprehensive housing and neighborhood development plan. The main theme of Mini-conference will target low-income housing: Strategies and Progress for a New Housing Agenda in the 1980's.

The CRN Conference will feature strategy and program papers designed to more fully elaborate issues raised in its 1981-82 *Development without Displacement* policy state-

ment. It was initiated by Network members as a response to the current low and moderate income housing conference, the declining role of the federal government in developing new and rehab housing programs and as a direct response to the city's proposed housing program and comprehensive plan for Chicago released by the City this past summer. (See Article in this issue for more details.)

## **Editorial Comment**

What does all this activity mean? In brief, these conferences and meetings reflect the fact that the issues of housing, neighborhood development and the conditions of Chicago residents are critical ones in which there is a growing concern within the city.

If these problems are to be resolved they must be pressed actively upon the policy agendas of local decisionmakers. The neighborhood/housing movement is not one that can be easily ignored and pushed onto the back burner despite the rhetoric supporting the policies of the Reagan Administration and its local adherents. These issues must be faced squarely and decisively if they are to be resolved—and not without a great deal of community initiated struggle throughout the 1980's.

The critical question is one of leadership. There have been meetings and there have been meetings. Agendas have been constructed before—but very little housing for people who are in most need and who can least afford the existing housing stock here in Chicago. Old strategies have not served this interest well at all. If the latest round of conferences, meetings and forums are going to succeed there is a definite need for new analyses, new imagination and commitment to be brought to bare on the current problems faced by most people in the neighborhoods.

Essentially, what is needed is a new and rejuvenated leadership and activism in the neighborhood movement—one which coincides with the present time and conditions. Without this level of leadership and direction the failures of the past are destined to repeat themselves.

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## **A Review of Displacement**

*Continued from page 16*

Two families were moved—a Cherokee woman and her Mexican husband, and a retired, Croatian fireman. Who knows where they went.

A couple of months ago I saw a poster in a window of this same building which decries U.S. violation of human rights.

The publication of *Displacement* makes available a well researched and argued analysis that should be of use in many contexts. If it fails at all, it is in omitting more extensive discussion of disinvestment-related displacement in specific neighborhoods. However, the purpose of the document, it must be remembered, has been to demonstrate that displacement indeed is affecting the lives of substantial numbers of people, and thus cannot be ignored. The authors admirably succeed in this regard.

\* (A second volume by the authors, *Community Action Guide, Displacement: How to Fight It*, is now available; it surveys anti-displacement initiatives developed around the country.) ( This document will be reviewed in the next issue of the CRN Newsletter.)

—Bob Giloth

# Community Initiated Job Generation:

## A "Coming of Age" for NHDOS?

### For-Profit Spin Offs

During the past year, Bickerdike set up the Humboldt Construction Company, Eighteenth Street organized CALACO Construction Company, Bethel helped form "Stitches Unlimited," a sewing cooperative. The Woodlawn Organization and The Neighborhood Institute each formed construction companies, and other community organizations contemplated developing an energy store and mill shop. Why this rash of business ventures? What makes them possible and desirable all of a sudden: And what will this do to more traditional concerns of community organizations?

Most of the ventures mentioned above grew out of long-standing projects of the sponsoring organizations. Spinning them off was a response to a number of problems. In some case it created the opportunity to give real jobs to former trainees, or to attract a different type of funding. It also prevented a conflict between the tax-exempt purposes of the community organization and the profit orientation of a business. In general, the increasing interest in spin-off businesses seems to be the result of a "coming of age" of community organizations; of an impatience with social service programs alone and a desire to address directly a crucial problem—lack of jobs; and, finally, of a forced choice in the face of Reaganomics and a need for self-sufficiency. How well a new venture responds to the reasons for setting it up partially depends on its structure. For example, it may be wholly-owned for-profit subsidiary which returns all its profits to the parent organization; alternatively, the parent organization may be able to attract private capital and/or an entrepreneur by giving up some of its ownership.

Besides the initial reason for spinning off a business, there are several other crucial issues in venture development. One of these is the identification of opportunities, which should build on existing programs, clientele served, or other organizational strengths. A second issue is the identification or training of key people, such as entrepreneurial types, to make the venture go. The third issue is that of financing the new business. The structure which is developed for the new venture should reflect and facilitate solutions to these key issues.

There are many aspects to an organization's structure, but only a few critical ones will be discussed here in the form of three key decisions:

- (1) Whether to operate a new activity on a for-profit or a not-for-profit basis;
- (2) Whether to operate a new activity, be it for-profit or not, as part of the existing organization, under the same name and leadership, or whether to set up a new, separate organization;
- (3) How much control the parent organization should keep if a new organization is set up.



### (1) For Profit or Not-for-Profit

In many cases where a community organization, or can be set up in a separate organization. This can be done regardless of its own advantages. A for-profit venture may provide access to new sources of financing, or make it possible to attract an entrepreneur. In addition, as a regular for-profit business, it is easier to be taken serious by clients, other businesses, financial institutions, etc., than as a not-for-profit program.

A disadvantage of a for-profit activity is that if net income is generated with the ideology and commitment of volunteers who have given time and effort to the parent organization. Finally, running something on a for-profit basis may create false expectations. Many socially desirable activities will simply never be able to support themselves and continue to need subsidies. Not-for-profit organizations have better access to grants and subsidies—Chrysler notwithstanding. In addition, not-for-profits have other advantages and disadvantages which are simply the reverse of those identified for the for-profit organization. For instance, not-for-profits are not liable for taxes on income generated from qualifying activities and they may be able to get considerable assistance from volunteers.

### (2) In-house Program or Separate Organization

A new activity can be run in-house as a regular program of the existing organization, or can be set up in a separate organization. This can be done regardless of its for-profit or not-for-profit status. Only if a for-profit activity gets too large must it be spun-off, in order to protect the parent organization's tax-exemption.

Spinning off a new organization has several advantages. It emphasizes a limited and specific purpose and allows a staff and board to concentrate on that. It may also be the only way to attract a capable entrepreneur, or financing from a bank or private investors. Also just as separation protects the parent organization's tax exemption, it protects the parent from liability. Especially if the new activity is likely to incur substantial debts, or engages in dangerous work (e.g., construction) this is a crucial advantage over the in-house program.

On the other hand, separation, usually entails some loss of control. This may mean that the orientation to community benefits which the parent organization has may disappear in the new organization. Even if a wholly-owned subsidiary is formed this problem exists. In fact, if the ties between the two organizations are too tight, the courts may declare the separation nonexistent and thus nullify whatever advantages separation was expected to bring.

Keeping a program in-house may also protect it from some of the uncertainties of the market. It makes it easier to share staff and facilities so that periods of "boom" or "bust" can be weathered more easily. Also, a new activity may need to trade on the name of the parent organization in order to get established.

*Continued on next page*

# Community Initiated Job Generation

Continued from page 18

## (3) Extent of control

Once it has been decided to set up a separate organization, the extent of control can be varied greatly. This would be implemented through by-law provisions regarding the right to appoint directors, or, in the case of a for-profit corporation, through stock ownership.

The less control or ownership is retained, the more opportunity exists for drawing on the skills and resources of others. This can be done by forming a producer or consumer cooperative, or by selling shares to community people or others; or by setting up an Employee Stock Ownership Plan. The more control and ownership is given to others, the more the time and resources of the sponsoring organization can be redirected at other efforts. Also, for business activities close identification with a not-for-profit organization may create a negative image, making non-involvement by the parent organization desirable.

To a large extent the benefits described above can be obtained even if the parent organization retains some control or ownership. Obviously 50% is one cut-off point in terms of having a simple majority or not. Another cut-off point which may be of importance is 80% ownership. If an organization owns 80% or more of another organization the tax-treatment of payments between them is generally less favorable. In many cases, 79% of ownership will provide substantial control to the parent organization, while providing for favorable tax rules, and allowing for input from others.

## Conclusion

Obviously, we have only been able to touch upon a few of the many issues, which are involved in setting up new activities. A step-by-step analysis of the managerial, legal, and fiscal issues as presented above, and their specific applicability to any one organization, takes considerable effort and perseverance. Even then, a well-wrought organizational structure will not work if the money, the staff, or the market are simply not there. But designing the appropriate structure can help provide access to these other essential ingredients.

*A more detailed discussion of these issues, as well as illustrative examples, are presented in a manual prepared by the Center for Urban Economic Development. It is available from the Center for Urban Economic Development, University of Illinois at Chicago Circle, Box 4348, Chicago, Illinois 60680.*

— Wim Wiewel  
Center for Urban Economic  
Development, UICC

*Wim Wiewel is Development Counselor for UICUED, University of Illinois Chicago Circle Center for Urban Economic Development.*

## Neighborhood Construction Company

By Ceasar Olivio

Recently, the Eighteenth Street Development Corporation, ESDC, received a government grant to form a for-profit general construction company, which will specialize in residential repairs, remodeling and rehabilitation. The name of the new company is the Chicago Area Latin American Construction Company, CALACCO. The ESDC, whose strength lies in providing quality pre-apprenticeship construction training in the carpentry, plastering and masonry trades, decided to form this company for the following reasons: Having worked with community residents for five years in various housing problems, we often heard from you that there was a strong need for a good and credible general contractor here. Horror stories abound regarding contractors doing shoddy work, leaving jobs uncompleted, receiving money for work to be done and then disappearing, etc. CALACCO is structured to fill this need for a reputable construction company by concentrating on doing quality work.

Secondly, another significant problem has been the steady erosion of industry and jobs in Pilsen. Industry has always served as the major economic base here. It provides much needed jobs for our residents, helps to lower our property taxes and serves as vital stability force in Pilsen. CALACCO, although starting as a small general contractor, will join the ranks of the industries and thus help strengthen the economic base of our community. CALACCO will strive to hire local residents for its office and construction crew. It will be a job placement outlet for the graduates of ESDC's training programs.

Lastly, the ESDC recognized the need for it to enter into the area of economic development. ESDC will not always be able to depend on public monies, through city, state and federal government programs to serve the community. CALACCO is ESDC's first profit making venture. Once CALACCO starts to turn a profit (1 to 1½ years), it will channel the profits to the ESDC. The ESDC will then use these funds to supplement their public monies and which in turn will allow ESDC to provide for better community services.

So if you are considering any remodeling, home repairs or rehabilitation and if you are tired of being ripped off by fly-by-night contractors, give CALACCO a call. We will provide you with a free written estimate and, if given the job, first-rate workmanship. Remember, it costs less to have your construction work done right the first time than having it redone two or three times. You can reach CALACCO either at 243-4777 or 733-2287.

*This article by Ceasar Olivio was reprinted from the September issue of Pilsen's Curbside News, a publication of the 18th Street Development Corporation.*



# IHDA'S GLOSSY REPORT . . .

## IHDA's "Glossy" Report Reveals Glaring Flaws

By Patricia Barnes

*Editor's Note: This is the final article in a four-part series detailing the operations and practices of the Illinois Housing Development Authority. The Pat Barnes article provides an overview and critique of IHDA's past practices and calls attention to the basic need for a state Housing Agency that can be sensitive to both neighborhood based developers and promote affordable housing. Commentaries are appreciated.*

The recent publication of the 1980 Annual Report of the Illinois Housing Development Authority (IHDA) should present an ideal opportunity to evaluate IHDA's record of meeting the housing needs of low and moderate income persons. Instead, the public is treated to a glossy account of Fiscal 1980, complete with maps, graphs and pictures, that "glosses" over specific answers to important questions like who's benefiting most from IHDA financed housing and by how much. Who are the persons in the greatest need of housing and how much did they get?

IHDA's failure to answer these and other basic questions regarding its housing activities prompted this author to raise questions about the accuracy, quantity, quality, and level of specificity of information IHDA makes available to the public. Without greater public access to the data on IHDA's activities, the public is unable to evaluate IHDA's performance and hold IHDA accountable to its legislated purposes.

### IHDA Reporting Requirements

IHDA's Annual Report is largely a response to the State enabling act (ILL. Rev. Stat. §305) requiring IHDA to annually file, with the Governor, a written report which includes a complete list of the following:

- 1) Applications to IHDA for mortgage loans and other financial assistance.
- 2) IHDA developments and their owners and the nature and amount of financial assistance for each development IHDA finances.
- 3) Dwelling unit distribution and estimated rent structure on each development financed during the fiscal year.
- 4) Projected activities for the next fiscal year.

The report is a public record and must be available for inspection by the public.

A review of IHDA's 1980 Annual Report reveals that IHDA does not provide the public with much of the information it is required to provide by law. No list of applications for mortgage or other financial assistance appears in the report. Also omitted are the names of the owners of developments. Information on dwelling unit distribution is not provided for family projects. The information provided on each 1980 development is the name of the development, its location, the range of apartment sizes, amenities, mortgage or construction loan amount, whether it is a family or elderly development (with handicapped units), total number of units and whether it is new construction or rehab. No estimated rent structures are provided. IHDA indicates a range of rents for its three developments with partial Section 8 subsidies. No information on rents is provided for the remaining 15 developments which have 100% Section 8 commitments. Thus the

public is unable to determine whether rentals reflect reduced interest rate financing and whether IHDA is containing costs. These omissions can be found in IHDA's reports from fiscal 1977, 1978, and 1979.

IHDA provides upon request a separate list of all its developments and developers. The unit distribution in each of these developments and the number of units actually leased to Section 8 eligible families, however, is not available from either IHDA or the management of individual developments.

### IHDA's Section 8 Units

If some of the information IHDA is required to provide by law is not made available on an annual basis, then perhaps IHDA provides it voluntarily in the aggregate? All that IHDA provides is that family units (one to four bedroom apartments) constitute two-thirds (or 14,313) of the apartments financed by IHDA. Approximately 64% of these units (or 9,128) are subsidized units. What IHDA's report does not tell the public is the total number of studio, one bedroom, two bedroom, three bedroom and four bedroom units developed with IHDA financing. Neither does IHDA indicate how many of each unit-size are being subsidized.

IHDA states in its 1980 report that, as of the close of fiscal 1980, it had received a total of \$88.8 million in annual contract authority under the Section 8 program. When IHDA receives the set aside, HUD tells IHDA how to distribute the subsidies described below. But IHDA has not provided information necessary to determine compliance with HUD's instructions on allocation. The Table displayed below can shed some light on IHDA's compliance with HUD's instructions.

### IHDA Section 8 Set Aside for the City of Chicago

	What IHDA was supposed to do				Total number of units constructed
	FY 78	FY 79	FY 80	3 year total	
<b>New Construction</b>					
Elderly	0	0	0	= 0	1,519
Family	292	265	162	= 719	446
Large Family	344	113	68	= 525	106
	636	378	230	1,244	2,071
					Total number of units rehabilitated
<b>Substantial Rehab</b>					
Elderly	0	0	0	= 0	180
Family	317	127	255	= 699	876
Large Family	373	97	81	= 551	99
	690	224	336	1,250	1,155

Data provided by B.P.I., August 1980

HUD allocations of Section 8 to IHDA for the City of Chicago are based upon the overall need for Elderly, Family (one and two bedroom), and Large Family (three and four bedroom) units. The above figures suggest that IHDA totally disregarded their Section 8 instructions and the need for large family housing, in particular. IHDA chose to finance new construction projects for the elderly.

more...

## Tenants in IHDA Developments

IHDA is characteristically silent when it comes to describing the people who live in its developments. The major piece of demographic information provided in the report is that minority population in all IHDA financed developments is 19.3%. No breakdown is provided by development, by region or by ethnicity. IHDA does collect this information, however, on all developments it permanently finances. Don Rose, a consultant with IHDA, provided the Chicago Rehab Network with the racial/ethnic breakdown by region for IHDA developments in the City of Chicago. These figures are presented below:

Area	Developments	Units	White	Black	Latino	Other
South of Stevenson Expressway	5	1,661	389	838	13	20
West of Chicago River	2	360	43	218	97	0
Near North Community	5	1,554	631	179	17	3
Lincoln Park, Lakeview, Uptown, Edgewater Community Areas	4	825	560	108	21	42

Data provided by IHDA, June 1981

Other important demographic data such as median income of tenants, percent of elderly vs. family households, and average size of households in IHDA developments are not even mentioned.

## Displacement Resulting from IHDA Developments

While IHDA provides no data on displacement resulting from its projects, it makes the statement in its annual report that its rehab projects "... have helped revitalize the communities while avoiding massive displacement." The report then goes on to briefly mention the Parkways project in the South Shore area. The percentage of tenants permanently displaced from the Parkways, IHDA's most recent, large scale rehab in Chicago, *was 66%! At what percentage does IHDA have massive displacement?*

IHDA gives no indication in its report that displacement has occurred or may occur in connection with new construction projects. But IHDA has recently been taken to court over potential displacement resulting from a proposed IHDA financed new construction project. The Grand Boulevard Improvement Association is suing IHDA, the Peoples Co-op; HUD and the City of Chicago to prevent the demolition of homes and the displacement of 300 people for new construction in the Paul G. Stewart, IV development. This case, which is currently in litigation, suggests that displacement is a serious problem not just with large scale rehab but also with new construction.

IHDA reports that "All IHDA financed developments have remained as rental housing with no units ever converted to condominiums" and states elsewhere in the report that "Condominium conversions further reduce the rental housing stock." The 1980 conversion to condominium, then, of the IHDA financed, Section 8, Judson Avenue Apartments in

Evanston, a 23-unit building, raises questions about IHDA's commitment to housing for low and moderate income persons. The public must question therefore, the future of IHDA's Chicago developments.

An entity created by the state to finance low and moderate income housing, IHDA has become a big business, more concerned with its bond ratings and high volume production than with the needs of the people it was created to serve. IHDA's failure to account for its use of billions of dollars obtained through the sale of federally tax exempt bonds is totally unacceptable. The public can only guess if IHDA has fulfilled its mandate.

*Patricia Barnes is Director of the Housing Service Center of Howard Area Community Center. She has regularly written articles for the Network Newsletter.*



Dear Subscriber:

For several years now the CRN *Newsletter* has been reaching you and our constituents at our expense. However, due to critical financial constraints on our operational budget, the accelerated publications costs, and the recent round of public assistance cuts at the federal and local levels, the **Network** will no longer be able to produce this calibre of publications without contributions and sustainers.

With this issue, the **Network** is instituting a sustainer fee of \$2.00 for single issues of the *Newsletter* (larger contributions will be accepted). The following categories have been established:

<b>Annual Sustainer (Institutional)</b> .....	<b>\$25.00</b>
<b>Contributor (Organization)</b> .....	<b>15.00</b>
<b>Subscriber per issue</b> .....	<b>2.00</b>

The Annual Sustainer and Contributors categories entitle the reader to all issues of the *Newsletter*, and the CRN *Annual Report* (\$3.00 separately).

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# Housing Models for Scarce Times

## Deferred Return Equity

### The Only Hope for Affordable Rental Housing?

By Harry Gottlieb

Let's begin with the assumption that we are most unlikely to have a Federal rental housing production program for low income families for at least the next four years. Section 8, if it survives at all, will heavily emphasize use of existing housing, with only modest amounts of rehabilitation permitted.

Furthermore, virtually no rental or cooperative housing can be developed using traditional approaches, even for moderate or middle income families.

What can be done during such a time? At least we should strive to get some rental housing production for moderate income families (at about the \$20,000 level), with a portion of the units reserved for low income families. This, in my opinion, is the best that can be hoped for.

With these realities in mind, Charles Edson of the Washington-based National Leased Housing Association, made an effort to devise a Federal program to meet this objective.

It involved a second mortgage loan to be made by the Federal government for one-half the development cost of a project, with repayment made with interest only upon refinancing or sale of the project. There would be no principal or interest payments in the interim.

This program would strive to produce units at rents within the limits set by the Section 8 Existing Housing Program, which would be affordable to moderate income families. In addition, 20% of the units could be made available to low income families under Section 8.

*Editor's Note: The table below indicates how Deferred Return Equity (DRE) could be applied to facilitate Section 8 packaging as demonstrated in the July 1981 article "Mod-Section 8: Towards Less Red Tape," by Barbara Beck (pp. 15-18).*

### Deferred Return Equity Based on Barbara Beck Figures

(Taken from CRN Newsletter, July, 1981)

Purchase price	\$ 75,000
Rehab — hard costs	30,000
— soft costs	<u>8,000</u>
Total Cost	\$113,000
Equity (50%)	56,500
Remainder to be financed	\$ 56,500
Assume same 16.3% finance factor:	
annual debt service	\$ 9,210
Operating expenses @ \$2,500 per unit	<u>15,000</u>
Total annual expenses	\$ 24,210
Occupancy	<u>95%</u>
Income needed annually	\$ 25,484
Income needed per month	2,124
(6-3 BR @ \$354 = \$2,124)	

The above assumes no cash return on equity for 10 years. If the investor were to receive a 6% return on equity:

.06 x \$56,500	\$ 3,390
Add total annual expenses	<u>24,210</u>
Total	\$27,600
Occupancy	<u>95%</u>
Income needed annually	\$29,053
Income needed per month	2,421
(6-3 BR @ \$403.50 = \$2,421)	

While this idea was framed into a legislative proposal by Senator Dodd of Connecticut, it has very little chance of enactment in the foreseeable future.

However, the rent reductions inherent in Edson's proposal are also possible if equity money provided 50% of project cost instead of the Federal government's second mortgage money. This is the heart of the Deferred Return Equity (DRE) idea.

Under DRE the investor (the term is used advisedly as this would be an investment, not a gift) agrees to postpone any cash return on his investment for a specified period, say ten years, after which he has the right to refinance the loan to take out cash, or to sell the units. What are the inducements to make such an investment?

- 1. Income tax deductions.** For the past decade or more, this, not cash return, has been the primary motive for investing in new or rehabilitated rental housing. While there is some controversy as to whether or not the new tax legislation makes investment in rental housing more or less attractive than previously, substantial income tax deductions are available, both during the construction period and thereafter. The tax benefits are particularly favorable for housing rehabilitation.
- 2. Hedge against inflation.** Investment in common stocks used to be considered an excellent hedge against inflation, but this idea was exploded during the 1970's. On the other hand, an investment in well located real estate can continue to provide such a hedge. For example, it cost about \$22,000 to produce a typical two-bedroom apartment in 1973. Today it costs more than \$50,000. While a 1973 investment in \$22,000 two-bedroom apartments might not always be worth \$50,000 or more today, where the units are well located and maintained the appreciation will be substantial and may well prove to have been a better investment than stocks and bonds during the same period.
- 3. Safety of investment.** A DRE investment, in producing a product for which there is and will continue to be a strong demand at considerably below the going price, should be a secure one. The units should always be occupied, with considerable waiting lists.

In addition to the satisfaction of providing a much needed commodity, the combination of the above three factors ought to make DRE investments worthy of serious consideration.

*Continued on next page*

# Housing Models for Scarce Times

Continued from page 22

What is missing compared to more typical investments in rental housing is, of course, leverage. Investors have typically provided equity of 10% or less, thus leveraging their income tax advantages and, if any, the cash flow.

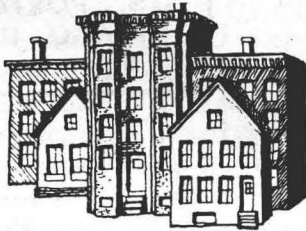
But today developers are unable to produce rental housing at prices that tenants can afford. Even proposals for rental housing on Lake Shore Drive in Chicago have been indefinitely postponed because "the numbers don't work." A DRE investment could make the numbers work.

DRE investments could be set up in varying ways. For neighborhood-based rehabilitation proposals, partnerships could be created between the local non-profit organization and investors who would provide approximately \$25,000 per two-bedroom unit, with varying amounts for other unit sizes. The sources of funds could be business, insurance, financial or other institutions having a stake in that particular neighborhood.

Or a citywide or regionwide Chicago Housing Partnership could be created to coordinate DRE investments ranging from small housing rehabilitation projects to lure new construction developments in the City and the suburbs.

The appended table illustrates how DRE can work. Comparisons are made with the Edson proposal and with schemes that would provide a 6% return on equity. All of these schemes can produce rents far below those in projects using "normal" investments where the equity provided is no more than 10% of project cost.

There are other complicating factors. For example, while our figures assume availability of tax-exempt mortgage financing, present regulations might have to be revised to make such financing possible. But if the present administration is serious about having private enterprise play a major role in



## CRN Member Sponsors Festival

Community 21 recently held their third annual neighborhood ethnic festival, called *Sharing our Heritage*, on September 26 and 27. This event is also sponsored by the Chicago-Ashland Businessmen's Association and the Greater Milwaukee Avenue Chamber of Commerce. The festival honors 5 major ethnic groups living in the Community 21 area: Blacks, Italians, Mexicans, Poles and Puerto Ricans.

On Sunday at Holy Trinity High School, 1443 W. Division, the festival was visited by 2 special guests: Governor James Thompson and Miss Piggy. Following their appearance, the audience was entertained by *The Lasting Impressions*, a Puerto Rican dance troupe, *Barney Lewis*, a Black vocalist, *The Italian Cultural Center Singers and Dancers*, *Mariachi Imperial*, and *The Rzeszowiacy Dancers*.

producing needed housing, such revision should not be impossible.

A commitment to reserve at least 20% of the units for Section 8 tenants, as proposed in the Edson plan, should also be an essential ingredient of a development using the DRE approach.

## Various Schemes for Reducing Rents in New Housing Developments

Assumptions: 2 BR Unit at \$50,000 Cost  
1st mortgage tax-exempt @ 11%, 30 years  
(11.43 Constant) Annual Operating Expenses + Taxes \$2,000

Scheme	Mortgage Payment	Return on Equity 6%	Operating Expense	Annual Rent Required	Monthly Rent Required
"Normal" (10% equity, 90% 1st mortgage)	\$5,144	\$ 300	\$2,000	\$7,444	\$620
Edson proposal (10% equity, 40% 1st mortgage, 50% repayable 2nd mortgage)	2,286	300	2,000	4,586	382
Deferred return equity (50% equity, 50% 1st mortgage loan)	2,858	---	2,000	4,858	405
6% return on equity (50% equity 50% 1st mortgage loan)	2,858	1,500	2,000	6,358	530
6% return on equity (60% equity 40% 1st mortgage loan)	2,286	1,800	2,000	6,086	507
100% equity	---	3,000	2,000	5,000	417

NOTE: Present Fair Market Rent - Section 8 Existing Housing (HNG May 14, 1981) **415**

*Harry Gottlieb is Deputy Director of the Leadership Council for Metropolitan Open Communities. Written comments on this and other articles in this series are welcomed.*

## 1981-82 CRN Annual Report Available

The *Second Annual Report* of the Chicago Rehab Network will be available November 15, 1981. The *Annual Report* will include: The Development without Displacement-II Policy Statement, CRN Status Reports, Group Profiles/reports from the CRN members and associates, a directory of Neighborhood Housing Developments in the Chicago area and more.

All persons interested in receiving copies of the *CRN Annual Report* may write or call us: **Chicago Rehab Network, c/o Publications, 53 W. Jackson Blvd., Suite 603, Chicago, Illinois 60604, (312) 663-3936.**

The single issue cost is \$3.00. Multiple copies are available at a \$1.00 discount.

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Announcing a  
**Citywide Mini-Conference on  
Chicago Housing Needs**

**December 5, 1981**  
**Center for Continuing Education**  
**University of Chicago**

**THEME:**

***Development Without Displacement:***  
Toward a Comprehensive Neighborhood Plan and  
Agenda for Affordable Housing  
for Low-Income People in the 1980s.

**8:30 am – 6 pm**

**Pre-registration: \$5.00**

*For more information Contact:*  
**Conference Outreach, Chicago Rehab Network**  
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